REPORT OF THE AUDIT OF THE CAMPBELL COUNTY CLERK

For The Year Ended December 31, 2007



CRIT LUALLEN AUDITOR OF PUBLIC ACCOUNTS

www.auditor.ky.gov

105 SEA HERO ROAD, SUITE 2 FRANKFORT, KY 40601-5404 TELEPHONE (502) 573-0050 FACSIMILE (502) 573-0067

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY CLERK

For The Year Ended December 31, 2007

The Auditor of Public Accounts has completed the Campbell County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Campbell County Clerk had total revenues of \$18,644,305, which was a \$903,679 increase from the prior year. Except for reimbursed expenses in the amount of \$213,258 the Clerk paid 25% of revenues to the Campbell County Fiscal Court in the amount of \$450,494. This was a decrease of \$6,385 from the prior year. In addition, expenditures in the Clerk's 75% operating fund decreased by \$133,122.

Report Comments:

- The County Clerk Should Expend Monies From His Imprest Account For Allowable Purposes Only
- The County Clerk Should Not Commingle His Private Funds With Public Funds
- The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u> PAGE

| INDEPENDENT AUDITOR'S REPORT | 1 |
|--|----|
| STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS | 6 |
| NOTES TO THE FINANCIAL STATEMENTS | 8 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 13 |
| COMMENTS AND RECOMMENDATIONS | 17 |



CRIT LUALLEN Auditor of Public Accounts

The Honorable Steven Pendery, Campbell County Judge/Executive Honorable Jack Snodgrass, Campbell County Clerk Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Campbell County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2008 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



TELEPHONE 502.573.0050 FACSIMILE 502.573.0067

The Honorable Steven Pendery, Campbell County Judge/Executive Honorable Jack Snodgrass, Campbell County Clerk Members of the Campbell County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The County Clerk Should Expend Monies From His Imprest Account For Allowable Purposes Only
- The County Clerk Should Not Commingle His Private Funds With Public Funds
- The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Campbell County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts

December 11, 2008

CAMPBELL COUNTY JACK SNODGRASS, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

| State Grants - Library and Archives | | \$ 8,010 |
|--|--------------|-------------|
| State Fees For Services | | 42,876 |
| Fiscal Court: | | |
| Election Salary Reimbursement | \$ 62,885 | |
| Election Expenses | 44,538 | 107,423 |
| Licenses and Taxes: | | |
| Motor Vehicle- | | |
| Licenses and Transfers | 2,085,939 | |
| Usage Tax | 7,056,100 | |
| Tangible Personal Property Tax | 7,104,821 | |
| Other- | | |
| Marriage Licenses | 24,350 | |
| Deed Transfer Tax | 369,094 | |
| Delinquent Taxes | 883,335 | 17,523,639 |
| Fees Collected for Services: | | |
| Recordings- | | |
| Deeds, Easements, and Contracts | 52,270 | |
| Real Estate Mortgages | 93,532 | |
| Chattel Mortgages and Financing Statements | 149,907 | |
| Lien Fees | 24,962 | |
| Powers of Attorney | 5,517 | |
| Refunds/Overpayments | 94,650 | |
| All Other Recordings | 344,965 | |
| Charges for Other Services- | | |
| Notaries | 23,205 | |
| Copywork | 65,667 | |
| Miscellaneous Services | 60,518 | 915,193 |
| Other: | | |
| Bail Bonds | 698 | |
| Postage | 40,160 | |
| Miscellaneous | 2,425 | 43,283 |

CAMPBELL COUNTY JACK SNODGRASS, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS For The Year Ended December 31, 2007 (Continued)

Revenues (Continued)

| Interest Earned | | \$ | 3,881 |
|---------------------------------|-----------------|-------|-----------|
| Total Revenues | | 18 | 3,644,305 |
| <u>Expenditures</u> | | | |
| Payments to State: | | | |
| Motor Vehicle- | | | |
| Licenses and Transfers | \$ 1,400,497 | | |
| Usage Tax | 6,840,381 | | |
| Tangible Personal Property Tax | 2,098,734 | | |
| Licenses, Taxes, and Fees- | , , | | |
| Delinquent Tax | 339,671 | | |
| Legal Process Tax | 77,141 | | |
| Housing Trust Fund | 131,688 | \$ 10 | 0,888,112 |
| | | | |
| Payments to Fiscal Court: | | | |
| Tangible Personal Property Tax | 555,691 | | |
| Delinquent Tax | 50,329 | | |
| Deed Transfer Tax | 350,630 | | 956,650 |
| Payments to Other Districts: | | | |
| Tangible Personal Property Tax | 4,260,045 | | |
| Delinquent Tax | 287,108 | ۷ | 1,547,153 |
| 2 | 207,100 | | .,,,100 |
| Payments to Sheriff | | | 4,252 |
| Payments to County Attorney | | | 115,685 |
| Refunds and Overpayments | | | 100,570 |
| Library and Archives - Scanning | | | 8,010 |
| Election Salary Reimbursements | | | 62,885 |

CAMPBELL COUNTY JACK SNODGRASS, COUNTY CLERK STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS For The Year Ended December 31, 2007 (Continued)

Expenditures (Continued)

| Election Expenses Reimbursements | | \$ | 44,538 |
|--------------------------------------|-----------------|----|-----------|
| Total Expenditures | | 16 | 5,727,855 |
| Net Revenues | | 1 | 1,916,450 |
| Payments to State Treasurer: | | | |
| 75% Operating Fund | \$ 1,457,317 | | |
| 25% County Fund | 450,494 | 1 | 1,907,811 |
| Delawas Dus at Completion of Audit * | | ¢ | 9.620 |
| Balance Due at Completion of Audit * | | Þ | 8,639 |

^{*} Note: This balance is to be turned over to the County Clerk's 75% Operating Fund.

CAMPBELL COUNTY JACK SNODGRASS, COUNTY CLERK STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2007

| | 75% | 25% | |
|---|-----------|------------|----------------------|
| | Operating | County | |
| | Fund | Fund | Totals |
| Fund Balance - January 1, 2007 | \$ | \$ | \$ |
| Revenues | | | |
| Fees Paid to State - Operating Funds (75%) Fees Paid to State - County Funds (25%) | 1,457,317 | 450,494 | 1,457,317 450,494 |
| Total Funds Available | 1,457,317 | 450,494 | 1,907,811 |
| Expenditures | | | |
| Campbell County Fiscal Court | \$ | \$ 450,494 | \$ 450,494 |
| Personnel Services- | | | |
| Official's Statutory Maximum | 91,440 | | 91,440 |
| Deputies' Salaries | 749,529 | | 749,529 |
| Part-Time Salaries | 140 | | 140 |
| Official's Expense Allowance | 3,600 | | 3,600 |
| Employee Benefits- | | | |
| Employer's Share Social Security | 59,940 | | 59,940 |
| Employer's Share Retirement | 117,737 | | 117,737 |
| Employer's Paid Health Insurance | 118,319 | | 118,319 |
| Other Payroll Expenditures | 16,112 | | 16,112 |
| Contracted Services- | | | |
| Advertising | 13,782 | | 13,782 |
| Printing and Binding | 10,865 | | 10,865 |
| Materials and Supplies- | | | |
| Office Supplies | 34,486 | | 34,486 |
| Other Charges- | | | |
| Conventions and Travel | 6,813 | | 6,813 |
| Dues | 3,372 | | 3,372 |
| Postage | 22,175 | | 22,175 |
| Phone/TV | 1,089 | | 1,089 |
| Maintenance and Repairs | 79,951 | | 79,951 |

The accompanying notes are an integral part of the financial statements.

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2007
(Continued)

| | 75% | 25% | |
|----------------------------------|------------|---------|------------|
| | Operating | County | |
| | Fund | Fund | Totals |
| Expenditures (Continued) | | | |
| Other Charges- (Continued) | | | |
| Rent | \$ 2,667 | \$ | \$ 2,667 |
| Miscellaneous | 1,180 | | 1,180 |
| Capital Outlay- | | | |
| Office Equipment | 22,400 | | 22,400 |
| Total Expenditures | 1,355,597 | 450,494 | 1,806,091 |
| Less: Disallowed Expenditures | (275) | | (275) |
| Total Allowed Expenditures | 1,355,322 | 450,494 | 1,805,816 |
| Fund Balance - December 31, 2007 | \$ 101,995 | \$ 0 | \$ 101,995 |

CAMPBELL COUNTY NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2007

The Attorney General issued a letter that stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

CAMPBELL COUNTY NOTES TO THE FINANCIAL STATEMENTS December 31, 2007 (Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Campbell County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

CAMPBELL COUNTY NOTES TO THE FINANCIAL STATEMENTS December 31, 2007 (Continued)

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in 2006 in the amount of \$26,750. The grant balance was \$7,988 as of December 31, 2006. Interest was earned in the amount of \$23 in 2007. Funds totaling \$8,010 were expended during the year. The unexpended grant balance was \$1 as of December 31, 2007.

Note 5. Bond Account

The County Clerk maintains a separate bank account for the receipt and disbursement of mechanic's bonds. The beginning balance was \$9,037 as of January 1, 2007. Interest earned totaled \$15 in 2007. Receipts totaled \$5,000 and disbursements totaled \$6,087 during the year. The account had a balance of \$7,965 as of December 31, 2007.

Note 6. Delinquent Tax Account

The County Clerk maintains an account for tax bankruptcy receipts and disbursements. The beginning balance was \$10,505 as of January 1, 2007. Interest was earned in the amount of \$31 in 2007. Receipts totaled \$7,124 and disbursements totaled \$2,303 during the year. The account had a balance of \$15,357 as of December 31, 2007.

Note 7. Reimbursed Expenses

The amount deposited in the County Clerk's Operating Fund (75%) with the State Treasurer included reimbursed expenses. These reimbursed expenses include payments from the State and County. The following were reimbursed expenses, which are credited to the County Clerk's Operating Fund.

| Category | Amount | Amount | | |
|---|---------------------|--------|--|--|
| Election Salary Reimbursements Election Expense Reimbursements | \$ 62,885 44,538 | | | |
| 100% Fees | 105,835 | _ | | |
| Total | \$ 213,258 | | | |

Note 8. Related Party Transactions

The County Clerk's Office, along with the Campbell County PVA, the Campbell County Sheriff, and the County Attorney, together known as the Campbell County Courthouse Network Group, obtains computer/phone service from Global Business Solutions, Inc., the President of which is Gaby Batshoun, the son-in-law of the County Clerk. The County Clerk also secures the services of Guard Link for closed circuit TV service. The President of Guard Link is a brother to Mr. Batshoun. The transactions involved with these two businesses totaled to \$63,980 in 2007 and appear to be proper.

| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND |
|---|
| ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL |
| STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS |



The Honorable Steven Pendery, Campbell County Judge/Executive Honorable Jack Snodgrass, Campbell County Clerk Members of the Campbell County Fiscal Court

> Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Campbell County Clerk for the year ended December 31, 2007, and have issued our report thereon dated December 11, 2008. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Campbell County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Campbell County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Campbell County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

• The County Clerk's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards (Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Campbell County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Should Expend Monies From His Imprest Account For Allowable Purposes Only
- The County Clerk Should Not Commingle His Private Funds With Public Funds

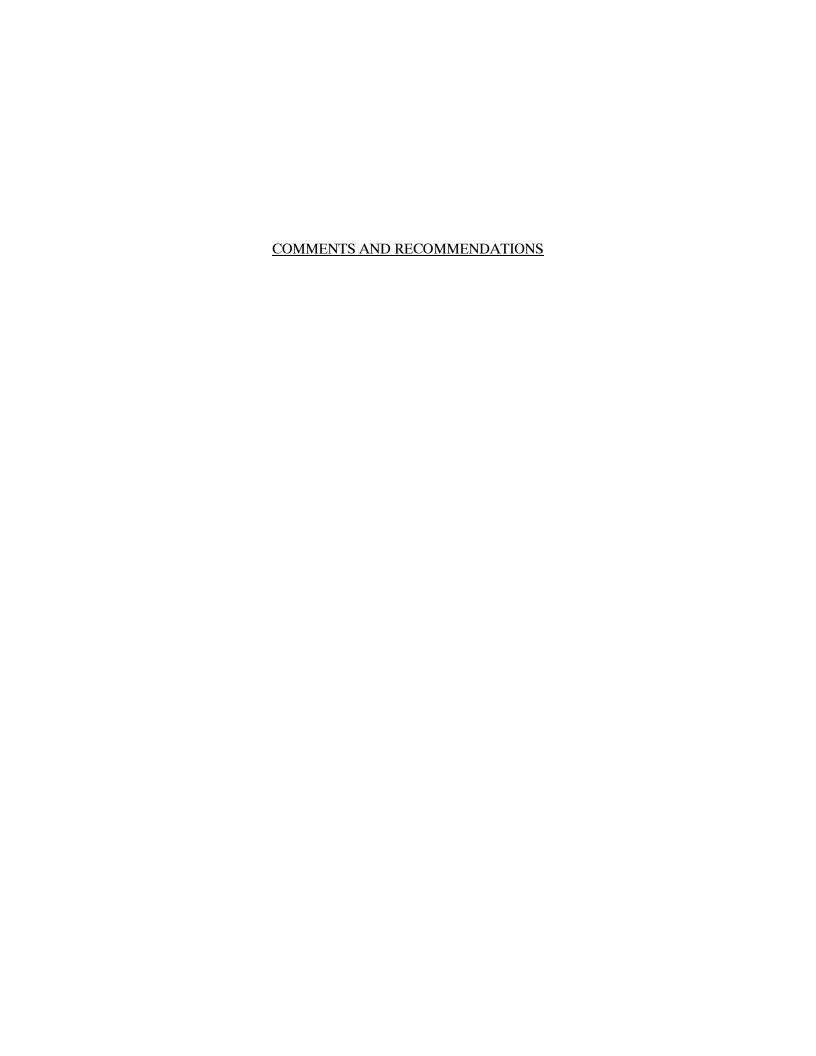
The Campbell County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Campbell County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Crit Luallen

Auditor of Public Accounts



CAMPBELL COUNTY JACK SNODGRASS, COUNTY CLERK COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS:

The County Clerk Should Expend Monies From His Imprest Account For Allowable Purposes Only

During our audit for the County Clerk's fee account for the calendar year 2007, we conducted extensive testing of his Imprest Account. As a result of our test procedures, we have identified a total of \$310.38 in expenditures that are not considered allowable. Technical Audit Bulletin 93-001, Section 3, enumerates 13 categories of expenditures that are not allowable. Additionally, KRS 64.850 prohibits fee officials from expending "public funds for any other purpose other than that for which they were received."

Our testing procedures indicate that the County Clerk made expenditures that are specifically identified as not allowable in Technical Audit Bulletin 93-001. The following schedule provides a breakdown of the calendar year 2007 expenditures that are not considered allowable:

- \$ 65.00 Ad in the Democratic Women's Club Jefferson Day Luncheon Program "Personal or political advertising."
- 100.00 Golf Outing Hole Sponsor "Charitable or civic membership dues or contributions."
- 35.67 Sales tax paid not reimbursed by State <u>Funk vs. Milliken</u> "*Not necessary*…."
- 25.66 Sales tax reimbursed by State Funk vs. Milliken "Not necessary..."
- 4.67 Personal items from Walgreen's <u>Funk vs. Milliken</u> "Not necessary..."
- <u>79.38</u> Christmas cards "Gifts, entertainment, or meals unrelated to official business"
 - \$ 310.38 Total Disallowed Expenditures.

We recommend that the County Clerk expend fee account monies in accordance with KRS 64.850 and Technical Audit Bulletin 93-001. We also recommend that the County Clerk deposit personal funds in the amount of \$274.71 into the fee account to reimburse the 2007 fee account for the above-disallowed expenditures. Turn it over 100% to the 75% account. He should also deposit \$35.67 from personal funds into the Imprest Account to cover the sales tax spent, but not reimbursed from the State.

Also, we recommend that you do not place any ads in school sports programs or programs for other events. Please be careful in not paying sales tax on any purchases, including those expenses made for elections and reimbursed by the Fiscal Court.

We thank you for your adherence to the above recommendations.

County Clerk's Response: I agree and will follow requests.

Auditor's Response: The County Clerk paid for the disallowed expenditures via personal checks on 12-11-08.

CAMPBELL COUNTY
JACK SNODGRASS, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2007

STATE LAWS AND REGULATIONS: (continued)

The County Clerk Should Not Commingle His Private Funds With Public Funds.

During our audit, we noted that the County Clerk made personal purchases from his Imprest Account. This practice is prohibited by KRS 64.850. Technical Audit Bulletin #93-002 prohibits "The expenditure of any funds from an official bank account for non-official or personal expenses, even if the expenditure is subsequently reimbursed."

Purchases made by the County Clerk and subsequently repaid include: Sam's Club purchases totaling \$100.42, election luncheon on Visa in the amount of \$141.98, and flowers from Ft. Thomas Florist in the amount of \$67.38.

We recommend that the County Clerk does not make personal purchases from his official bank account.

County Clerk's Response: This will be watched more closely in future.

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:

The County Clerk's Office Lacks Adequate Segregation Of Duties

During our audit, we noted that one deputy reconciles the Auto bank account and one deputy reconciles the Records bank account. Each deputy receives their bank statements unopened, prepares their reconciliations, which are not reviewed by someone else, and prepare deposit slips and make deposits. When one person handles all of these duties, the risk of a misappropriation of assets and/or inaccurate financial reporting increases.

To mitigate this risk, we would recommend the following:

- Someone other than the deputy responsible for reconciling the account should open the bank statement and review.
- ❖ Someone other than the deputy responsible for reconciling the account should review the bank reconciliation. The County Clerk could do this or if that is not possible, the deputies could review each other's reconciliation and initial that they performed this duty.
- Someone other than the deputy responsible for reconciling the account should prepare deposit slips and make deposits.

By taking the above steps, we believe the risk of a misappropriation of assets and/or inaccurate financial reporting can be reduced.

County Clerk's Response: Theresa does not make deposits. Janet and Peggy in Auto Department do daily deposits. Bank statements will be reviewed by Jack. In Land Records, Karen will now do full deposit. The drawer in Land Records is counted by different employees. Bank reconciliations will be reviewed by other personnel.